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SERVICE DATE – APRIL 6, 2016

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. EP 720

ACCOUNTING AND REPORTING OF BUSINESS COMBINATIONS,  
SECURITY INVESTMENTS, COMPREHENSIVE INCOME,  
DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Decided: March 30, 2016

AGENCY: Surface Transportation Board.

ACTION: Final Rules.

SUMMARY: The Surface Transportation Board (STB or Board) is adopting final rules that update the accounting and reporting requirements in its Uniform System of Accounts (USOA) for Class I Railroads so that they are more consistent with current generally accepted accounting principles (GAAP). The Board is also revising the schedules and instructions for the Annual Report for Class I Railroads (R-1 or Form R-1) to better meet regulatory requirements and industry needs. The final rules are set forth in the Appendix.

DATES: These rules are effective on May 6, 2016.

FOR FURTHER INFORMATION CONTACT: Pedro Ramirez at (202) 245-0333. Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at 1-800-877-8339.

SUPPLEMENTAL INFORMATION: The Interstate Commerce Act, as amended by the ICC Termination Act of 1995 (ICCTA), Pub. L. No. 104-88, 109 Stat. 803, authorizes the Board, in 49 U.S.C. § 11142, to prescribe a uniform accounting system for rail carriers subject to our jurisdiction and, in 49 U.S.C. § 11161, to maintain cost accounting rules for rail carriers.<sup>1</sup> Sections 11142 and 11161 both require the Board to conform its accounting rules to GAAP “[t]o the maximum extent practicable.” The USOA is set forth in the Board’s regulations at 49 C.F.R.

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<sup>1</sup> The Board has broad economic oversight of railroads, 49 U.S.C. §§ 10101-11908, and prescribes a uniform accounting system for rail carriers to use for regulatory purposes, 49 U.S.C. §§ 11141-43, 11161-64; 49 C.F.R. parts 1200-1201. In addition, the Board requires Class I railroads to submit quarterly and annual reports containing financial and operating statistics, including employment and traffic data. 49 U.S.C. § 11145; 49 C.F.R. §§ 1241-1246, 1248.

Part 1201—Subpart A. The USOA is used by the Class I Railroads<sup>2</sup> to comply with their statutory requirement to provide the Board an annual report, known as the R-1 report, that contains information about their finances and operating statistics. 49 U.S.C. § 11145(b)(1) & 49 C.F.R. § 1241.11.

In a notice of proposed rulemaking served on July 8, 2015 (NPR), the Board proposed to make a number of changes to the USOA. First, the Board noted that the existing USOA does not specifically address the proper accounting and reporting for changes in the fair value of certain security investments, derivative instruments, and hedging activities, nor does it contain specific accounts to record amounts related to items of Other Comprehensive Income or provide a format to display comprehensive income in the Form R-1. Without specific instructions and accounts for recording and reporting these transactions and events, inconsistent and incomplete accounting would result. Thus, the Board proposed to amend its USOA and Form R-1 to account for those types of transactions and events. Specifically, the Board proposed updating the USOA to provide for: (1) fair value presentation of certain security investments, derivative instruments, and hedging activities; and (2) presentation of comprehensive income and components of other comprehensive income.

The Board proposed these revisions based on the GAAP promulgated by the Financial Accounting Standards Board (FASB)<sup>3</sup> in the following Accounting Standards Codifications (ASC): ASC 320 Investments – Debt and Equity Securities; ASC 220 Comprehensive Income; ASC 815 Derivatives and Hedging; and ASC 805 Business Combinations.<sup>4</sup> The Board stated that the purpose of the proposed revisions is to provide consistent accounting and reporting of changes in the fair value of security investments, derivative instruments, and hedging activities. The Board further stated that the proposed changes would minimize the accounting and reporting burden on railroads under the Board’s jurisdiction, assist the Board in its overall monitoring effort, and improve transparency.

Second, the Board proposed revising the USOA to reflect current accounting practices for business combinations by removing existing instructions for the pooling-of-interest method of accounting and replacing those instructions with the acquisition accounting method. This method of accounting has been standard practice in the accounting industry for some time, and the Board has already agreed that the acquisition method better reflects the investment made in

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<sup>2</sup> The Board designates three classes of freight railroads based upon their operating revenues, for three consecutive years, in 1991 dollars, using the following scale: Class I – \$250 million or more; Class II – less than \$250 million but more than \$20 million; and Class III – \$20 million or less. These operating revenue thresholds are adjusted annually for inflation. 49 C.F.R. pt. 1201, 1-1. Adjusted for inflation, the revenue threshold for a Class I rail carrier using 2014 data is \$ 475,754,803. Today, there are seven Class I carriers.

<sup>3</sup> FASB is a private, non-profit organization responsible for setting accounting standards for public companies in the United States.

<sup>4</sup> These accounting pronouncements are available at <https://asc.fasb.org>.

an acquired entity and has affirmed the use of this treatment.<sup>5</sup> Thus, in the NPR, the Board proposed to update the USOA to reflect this accounting treatment.

Finally, the Board proposed revising the Form R-1 to include new accounts and a new reporting schedule and eliminating 15 schedules that the Board no longer uses.

The proposed rules were published in the Federal Register, 80 Fed. Reg. 39,021 (July 8, 2015). The Board received comments from the Association of American Railroads (AAR); no reply comments were filed.

## FINAL RULES

The Board has reviewed the issues raised in AAR's comments and addresses them below, along with any revisions made in response. The final rules in full are appended to this decision.

### Accounting and Reporting of Business Combinations, Security Investments, Comprehensive Income, Derivative Instruments, and Hedging Activities

In the NPR, the Board proposed to amend its USOA and Form R-1 by adding new general instructions and accounts to recognize changes in the fair value of certain security investments, items of other comprehensive income, derivative instruments, and hedging activities. Additionally, the Board proposed revising its USOA to reflect current accounting practices for business combinations by removing existing instructions for the pooling-of-interest method of accounting and requiring only the acquisition accounting methodology. The Board also sought comment on its proposal to revise the Form R-1 to include the new accounts and a new reporting schedule.

No comments were filed in opposition to these proposals. Thus, the Board adopts such proposals here in the final rules. These changes will improve completeness and consistency of accounting and reporting. The addition of the proposed new accounts and related reporting requirements to the Form R-1 will reduce regulatory uncertainty as to the proper accounting and reporting for these items and minimize regulatory burden by reducing the potential differences in the manner in which certain amounts are reported to shareholders and to the Board. Finally, the reporting of derivative instruments and hedging activities by regulated carriers will assist the Board in its overall monitoring effort as well as its ability to assess railroad industry growth and financial stability.

### Elimination of, or Changes to, Certain Schedules

The Board stated in the NPR that it had examined the current Form R-1 and determined that 15 of the 47 schedules were no longer used by the Board to perform regulatory and oversight functions. The Board, therefore, proposed to eliminate the following 15 schedules:

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<sup>5</sup> See W. Coal Traffic League—Pet. for Declaratory Order, FD 35506, slip op at 6-17 (STB served July 25, 2013).

230	Capital Stock
339	Accrued Liability - Leased Property
340	Depreciation Base and Rates - Improvements to Road and Equipment Leased from Others
350	Depreciation Base and Rates - Road and Equipment Leased to Others
351	Accumulated Depreciation - Road and Equipment Leased to Others
416	Supporting Schedule - Road
418	Supporting Schedule - Capital Leases
460	Items in Selected Income and Retained Earnings Accounts for the Year
702	Miles of Road at Close of Year - By States and Territories (Single Track)
721	Ties Laid in Replacement
722	Ties Laid in Additional Tracks and in New Lines and Extensions
723	Rails Laid in Replacement
724	Rails Laid in Additional Tracks and in New Lines and Extensions
725	Weight of Rail
726	Summary of Track Replacements

In its comments, AAR states that it supports the Board's proposal to eliminate these schedules from the Form R-1, with the exception of Schedule 702, Miles of Road at Close of Year-By States and Territories (Single Track). According to AAR, Schedule 702 should be retained because this schedule is used to calculate state tax rates in the Revenue Shortfall Allocation Method.<sup>6</sup>

We agree with AAR that Schedule 702 should be retained. The Form R-1 report, filed annually by Class I railroads, includes the mileage necessary to weight average state tax rates that are utilized in the Revenue Shortfall Allocation methodology.<sup>7</sup> Therefore, Schedule 702 will be retained.

In addition to the schedules proposed for elimination in the NPR, AAR requests, consistent with its comments previously filed in Improving Regulation & Regulatory Review, Docket No. EP 712, that the Board eliminate Schedule 220, Retained Earnings; Schedule 342, Accumulated Depreciation-Improvements to Road and Equipment Leased from Others; Schedule 501, Guarantees and Suretyships; and Schedule 502, Compensating Balances and Short-Term Borrowing Arrangements. AAR further requests that the Board eliminate Schedule 310, Investments and Advances Affiliated Companies and Schedule 310A, Investments in Common Stocks of Affiliated Companies. According to AAR, these schedules are unnecessary because they capture data that is neither used nor usable to support the Board's regulatory objectives.

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<sup>6</sup> The Revenue Shortfall Allocation Method is one of the three benchmarks used to determine the reasonableness of a challenged rate under the Board's Three Benchmark methodology. See Simplified Standards for Rail Rate Cases, EP 646 (Sub-No. 1) (STB served Sept. 5, 2007); Simplified Standards for Rail Rate Cases—Taxes in Revenue Shortfall Allocation Method, EP 646 (Sub-No. 2) (STB served Nov. 21, 2008).

<sup>7</sup> See Annual Submission of Tax Info. for Use in Revenue Shortfall Allocation Method, EP 682, slip op. at 2 n.3 (STB served Feb. 26, 2010).

The Board will not adopt AAR's proposals to eliminate these other schedules. Schedule 220, Retained Earnings, will be retained because it is a significant financial disclosure for stakeholders interested in changes in the retained earnings account during the reporting period and gives important insight into the rail carrier's financial performance. Schedule 342, Accumulated Depreciation-Improvements to Road and Equipment Leased from Others, will be retained because it is used in the Board's Uniform Rail Costing System (URCS) and review of depreciation studies. In addition, eliminating Schedule 342 would limit the Board's ability to collect sufficient detail for R-1 reporting regarding rail carriers' implementation of the updated GAAP standard for leases. Finally, Schedules 501 (Guarantees and Suretyships), 502 (Compensating Balances and Short-Term Borrowing Arrangements), 310 (Investments and Advances Affiliated Companies), and 310A (Investments in Common Stocks of Affiliated Companies), are currently used by the Board's Office of Economics in intercompany audits, as they provide detailed information related to the railroads' financial arrangements with affiliated companies and financial agreements with borrowers and lenders. Those schedules therefore will be retained.

AAR further suggests, consistent with its comments in Improving Regulation and Regulatory Review, Docket No. EP 712, that the Board make certain changes to either conform Form R-1 schedules to GAAP or otherwise harmonize Form R-1 reporting requirements. In Schedule 210, Results of Operations, AAR suggests that the Board change the description in Line 41 from "Amortization of Discount on Funded Debt," to "Amortization of Premium or Discount on Funded Debt," to reflect that premium amortization is included in interest expenses. AAR also suggests removing Line 22 where amortization of premium on funded debt is currently reported. In Schedule 412, Way and Structures, AAR suggests adding a separate line for "Shop Machinery" to reconcile the amortization expenses and depreciation for road accounts required in Schedules 412 and 335, Accumulated Depreciation—Road and Equipment Owned and Used. For Schedule 415, Supporting Schedule—Equipment, AAR proposes that the Board combine owned and capitalized leases in the schedule and eliminate lines pertaining to "Machinery" because, according to AAR, this data is not in or supported by Schedule 410, Equipment Accounts. Finally, for Schedule 755, Railroad Operating Statistics, AAR suggests eliminating Line 89—Cabooses Miles—due to the significant reduction in the use of cabooses by reporting rail carriers.

While the Board will not adopt AAR's suggestions that the Board make certain other changes to either conform Form R-1 schedules to GAAP or otherwise harmonize Form R-1 reporting requirements, the Board will provide clarifying instructions with respect to one of AAR's proposals.

First, we will not adopt AAR's requested changes to Schedule 210, Results of Operations. Although AAR's proposal would simplify the reporting presentation in the Form R-1, the Board's current practice of presenting premiums and discounts of funded debt separately is preferable because it allows for transparent financial reporting by showing both interest income and expense.

Additionally, AAR's suggestion that the Board combine owned and capitalized leases in Schedule 415 (Supporting Schedule—Equipment) will not be adopted because this change would limit the Board's ability to collect sufficient detail for R-1 reporting regarding railroads' implementation of the updated GAAP standards for leases. This change would also require a modification in how Schedule 415 is inputted in URCS. In addition, although AAR suggests that lines pertaining to "Machinery" be eliminated in Schedule 415 because, according to AAR, such data is not in or supported by Schedule 410 (Equipment Accounts), the Board will not do so because Schedule 415, Lines 38-40 reconcile to Schedule 410, Lines 203, 222, and 306.

In Schedule 755 (Railroad Operating Statistics), the Board will retain Line 89—Cabooses Miles. While reporting carriers have been reducing the use of cabooses over time, a level of use still exists. Further, removing Line 89 would eliminate an operating statistic from the URCS calculation.

While AAR suggests adding a separate line for "Shop Machinery" in Schedule 412 (Way and Structures) to reconcile the amortization expenses and depreciation for road accounts required in Schedules 412 (Way and Structures) and 335 (Accumulated Depreciation—Road and Equipment Owned and Used), the Board notes that Schedule 412 reports a railroad's fixed roadway facilities; "Shop Machinery" does not fall into such a category, but should be recorded in equipment accounts. The Board, however, will clarify instruction 4 in Schedule 412 to read as follows: "Amortization adjustment of each road property type which is included in column (b) shall be repeated in column (d) as a debit or credit to the appropriate line item. The net adjustment on line 29 shall equal the adjustment reported on line 29 of Schedule 335, excluding Account 44, Shop Machinery."

In sum, the final rules will eliminate the schedules previously identified in the NPR except for Schedule 702, Miles of Road at Close of Year-By States and Territories (Single Track), as discussed above. The Board will also clarify R-1 Schedule 412 instruction 4 as it pertains to the treatment of Shop Machinery.

#### Instruction 2-15.

As noted in the NPR, ASC 805 Business Combinations requires the use of the acquisition method of accounting for all business combinations. While this method of accounting has been standard practice in the accounting industry for some time, and the Board has already agreed that the acquisition method better reflects the investment made in an acquired entity and has affirmed the use of this treatment, the USOA has not been updated to incorporate the method.<sup>8</sup> Thus, the NPR proposed to update the USOA to reflect this accounting treatment.

In connection with that proposal, the Board specifically sought comment on the application of Instruction 2-15, paragraph (d) with respect to use of the pooling of interest method for transactions involving the acquisition and merger of property of subsidiaries in

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<sup>8</sup> See Western Coal Traffic League—Pet. for Declaratory Order, FD 35506, slip op at 6-17.

**INSTRUCTIONS FOR PROPERTY ACCOUNTS.** No comments were submitted regarding the treatment or application of Instruction 2-15, paragraph (d). Therefore, we will update Instruction 2-15, paragraph (d) to reflect the use of the acquisition accounting methodology and remove any reference or instruction pertaining to the pooling-of-interest methodology.<sup>9</sup>

#### ASC 410

In response to the NPR, AAR also suggests that the Board adopt ASC 410, Asset Retirement and Environmental Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. AAR, however, does not explain why it believes ASC 410 should be adopted. The Board has already determined in an Accounting Series Circular served on June 11, 2003, and sent to all accounting officers of Class I railroads, that the Board would not adopt Financial Accounting Standard (FAS) 143, Accounting for Asset Retirement Obligations, now codified as ASC 410, because to do so would be inconsistent with the Board's accounting rules.<sup>10</sup> Nothing in AAR's comments suggests any reason for altering the Board's 2003 determination. Accordingly, we will not adopt ASC 410 as suggested by AAR.

#### Periodic Review

As noted above, 49 U.S.C. §§ 11142 and 11161 require the Board to conform its accounting rules to GAAP "[t]o the maximum extent practicable." Therefore, in keeping with this requirement, the Board will conduct a periodic review of its accounting standards not less than every five years.

#### Paperwork Reduction Act

In the NPR the Board sought comments pursuant to the Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3549, and Office of Management and Budget (OMB) regulations at 5 C.F.R. § 1320.11, regarding: (1) whether the revisions to the collection of information proposed here are necessary for the proper performance of the functions of the Board, including whether the collection has practical utility; (2) the accuracy of the Board's burden assessment; (3) ways to enhance the quality, utility, and clarity of the information collected; and (4) ways to minimize

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<sup>9</sup> We believe that removing references or instructions pertaining to the pooling-of-interest methodology in Instruction 2-15, paragraph (d) directly follows from the NPR and the Board's adoption of the acquisition accounting methodology. It is also a logical outgrowth of the overall approach proposed in the NPR of shifting to the acquisition method of accounting for all business combinations. In proceedings governed by the rulemaking provisions of the Administrative Procedure Act, 5 U.S.C. § 553, notice is sufficient if the final rule adopted by an agency is the logical outgrowth of the proposed rule on which it sought comment. See EC-MAC Motor Carriers Serv. Ass'n, SSM 118 (Sub-No. 2), slip op. at 3 (STB served Mar. 27, 2003) (citing Fertilizer Inst. v. EPA, 935 F.2d 1303, 1311 (D.C. Cir. 1991)).

<sup>10</sup> Surface Transportation Board, Office of Economics, Environmental Analysis and Administration, Accounting Series Circular No. 202 (2003).

the burdens of the collections of information on the respondents, including the use of automated collection techniques or other forms of information technology, when appropriate. Comments regarding the necessity, utility, and clarity of the information collection were received and are addressed above. No comments concerning the Board's burden estimates were received.

The proposed collection was submitted to OMB for review as required under the PRA, 44 U.S.C. § 3507(d), and 5 C.F.R. § 1320.11. OMB withheld approval pending submission of the final rule. We are today submitting the collection contained in this final rule to OMB for approval. Once approval is received, we will post a copy of the revised Form R-1 on the Board's website. Unless renewed, OMB approval of this collection expires three years after the date that OMB approves the collection.

### Regulatory Flexibility Act Statement

The Regulatory Flexibility Act of 1980 (RFA), 5 U.S.C. §§ 601-612, generally requires a description and analysis of new rules that would have a significant economic impact on a substantial number of small entities. In drafting a rule, an agency is required to: (1) assess the effect that its regulation will have on small entities; (2) analyze effective alternatives that may minimize a regulation's impact; and (3) make the analysis available for public comment. 5 U.S.C. §§ 601-604. Under § 605(b), an agency is not required to perform an initial or final regulatory flexibility analysis if it certifies that the proposed or final rules will not have a "significant impact on a substantial number of small entities."

Because the goal of the RFA is to reduce the cost to small entities of complying with federal regulations, the RFA requires an agency to perform a regulatory flexibility analysis of small entity impacts only when a rule directly regulates those entities. In other words, the impact must be a direct impact on small entities "whose conduct is circumscribed or mandated" by the proposed rule. White Eagle Coop. Ass'n v. Conner, 553 F.3d 467, 478, 480 (7th Cir. 2009). An agency has no obligation to conduct a small entity impact analysis of effects on entities that it does not regulate. United Distrib. Cos. v. FERC, 88 F.3d 1105, 1170 (D.C. Cir. 1996).

The rule changes adopted here will not have a significant economic impact upon a substantial number of small entities, within the meaning of the RFA. The reporting requirements are applicable only to entities that are required to file Form R-1 reports, i.e., the Class I carriers. 49 C.F.R. § 1241.1. Class I carriers are large railroads; accordingly, there will be no impact on small railroads (small entities).<sup>11</sup> Therefore, the Board certifies under 5 U.S.C. § 605(b) that this rule will not have a significant economic impact on a substantial number of small entities within the meaning of the RFA.

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<sup>11</sup> Class I carriers generally do not fall under the definition of a "small rail carrier" as defined by the Small Business Administration (SBA). The SBA's Office of Size Standards has established a size standard for rail transportation, pursuant to which a "line-haul railroad" is considered small if its number of employees is 1,500 or less, and a "short line railroad" is considered small if its number of employees is 500 or less. 13 C.F.R. § 121.201 (industry subsector 482).



Authority. 49 U.S.C. §§ 11142 and 11164.

List of Subjects in 49 C.F.R. Part 1201.

Railroads, Uniform System of Accounts.

It is ordered:

1. The final rules set forth in the Appendix to this decision are adopted and will be effective on May 6, 2016. Notice of the rules adopted here will be published in the Federal Register.

2. This decision is effective on the date of service.

By the Board, Chairman Elliott, Vice Chairman Miller, and Commissioner Begeman.

## Appendix

For the reasons set forth in the preamble, the Surface Transportation Board is amending part 1201 of title 49, chapter X, of the Code of Federal Regulations as follows:

### PART 1201 – RAILROAD COMPANIES

1. The authority citation for part 1201 continues to read as follows:

AUTHORITY: 49 U.S.C. 11142 and 11164.

#### Subpart A—Uniform System of Accounts

2. Amend Regulations Prescribed by revising paragraph (ii), item 16(c), to read as follows:

#### LIST OF INSTRUCTIONS AND ACCOUNTS

### REGULATIONS PRESCRIBED

\* \* \* \* \*

(ii) *Definitions.*

\* \* \* \* \*

16. \* \* \*

(c) *Cost*, as applied to a marketable equity security, refers to the original cost as adjusted for unrealized holding gains and losses.

\* \* \* \* \*

3. Amend General Instructions by adding Instructions 1-19 and 1-20, to read as follows:

## GENERAL INSTRUCTIONS

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1-19 *Accounting for Other Comprehensive Income.* (a) Railroads will record items of Other Comprehensive Income in account 799.1, *Other comprehensive income*. Amounts included in this account will be maintained by each category of Other Comprehensive Income. Examples of categories of Other Comprehensive Income include foreign currency items, minimum pension liability adjustments, unrealized gains and losses on available-for-sale type securities and cash-flow hedge amounts.

(b) Supporting records will be maintained for account 799 so that the company can readily identify the cumulative amount of Other Comprehensive Income for each item included in this account.

(c) When an item of Other Comprehensive Income enters into the determination of earnings in the current or subsequent periods, a reclassification adjustment will be recorded in account 799 to avoid double counting of when an item included in net income was also included in Other Comprehensive Income in the same or prior period.

1-20 *Accounting for derivative instruments and hedging activities.* (a) A carrier will recognize derivative instruments as either assets or liabilities in the financial statements and measure those instruments at fair value. A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

(1) The derivative instrument has one or more underlyings and a notional amount or payment provision. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.

(2) The derivative instrument requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have similar responses to changes in market factors.

(3) The derivative instrument's terms require or permit net settlement; the derivative instrument can readily be settled net by a means outside the contract; or the derivative instrument's terms provide for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

(b) The accounting for the changes in the fair value of derivative instruments depends upon their intended use and designation. Changes in the fair value of derivative instruments not designated as fair value or cash flow hedges will be recorded in account 713.5, *Derivative instrument assets*, or account 763.5, *Derivative instrument liabilities*, as appropriate, with the gains or losses charged to earnings in account 551, *Miscellaneous income charges*.

(c) A derivative instrument may be specifically designated as a fair-value or cash-flow hedge. A hedge may be used to manage risk to price, interest rates, or foreign currency transactions. An entity will maintain documentation of the hedge relationship at the inception of the hedge that details the risk management objective and strategy for undertaking the hedge, the nature of the risk being hedged, and how hedge effectiveness will be determined.

(d) If the carrier designates the derivative instrument as a fair-value hedge against exposure to changes in the fair value of a recognized asset, liability, or a firm commitment, it will record the change in fair value of the derivative instrument designated as a fair-value hedge to account 713.6, *Derivative instruments assets–hedges*, or account 763.6, *Derivative instrument liabilities–hedges*, as appropriate, with a corresponding adjustment to the sub-account of the item being hedged. The ineffective portion of the hedge transaction will be reflected in the same

income or expense account that would have been used if the hedged item had been disposed of or settled. In the case of a fair-value hedge of a firm commitment, a new asset or liability is created. As a result of the hedge relationship, the new asset or liability will become part of the carrying amount of the item being hedged.

(e) If the carrier designates the derivative instrument as a cash-flow hedge against exposure to variable cash flows of a probable forecasted transaction, it will record changes in the fair value of the derivative instrument in account 713.6, *Derivative instrument assets—hedges*, or account 763.6, *Derivative instrument liabilities—hedges*, as appropriate, with a corresponding amount in account 799.1, *Other comprehensive income*, for the effective portion of the hedge. The ineffective portion of the hedge transaction will be reflected in the same income or expense account that would have been used if the hedged item had been disposed of or settled. Amounts recorded in Other Comprehensive Income will be reclassified into earnings in the same period or periods that the hedged forecasted item affects earnings.

4. Amend Instructions For Property Accounts by:

- a. Revising paragraph (a) in Instruction 2-15;
- b. Removing paragraph (b) in Instruction 2-15;
- c. Redesignating paragraph (c) as paragraph (b) in Instruction 2-15;
- d. Revising the newly designated paragraph (b) in Instruction 2-15;
- e. Redesignating paragraph (d) as paragraph (c) in Instruction 2-15; and
- f. Revising the newly designated paragraph (c) in Instruction 2-15.

The revisions read as follows:

## INSTRUCTIONS FOR PROPERTY ACCOUNTS

\* \* \* \* \*

2-15 \* \* \* (a) When a railway or portion thereof constituting an operating unit or system is acquired in a business combination, that business combination shall be recorded in the accounts in the manner stated hereunder.

(b) Purchase:

(1) The amount includable in account 731, Road and equipment property, shall be the cost at the date of acquisition to the purchaser of the transportation property acquired. The cost assigned the property, as well as other assets acquired, shall be the amount of the cost consideration given. Where property and other assets are acquired for other than cash, including liabilities assumed and shares of stock issued, cost shall be determined by either the fair value of the consideration given or the fair value of the assets acquired, whichever is more clearly evident. In addition to any liabilities assumed, provision shall be made for such estimated liabilities as may be necessary.

(2) When the costs of individual units or classes of transportation property are not specified in the agreement, the cost assigned such property shall be apportioned among the appropriate primary accounts using the percentage relationship between the fair values for each class of property acquired and the total of such values.

(c) Merger of subsidiaries:

The acquisition and merger of property of subsidiaries controlled through ownership of the majority shares of voting stock is to be accounted for using the acquisition accounting methodology.

5. Amend Instructions For Income And Balance Sheet Accounts by revising Instruction 5-2, paragraph (a), items (2), (3), and (4) to read as follows:

INSTRUCTIONS FOR INCOME AND BALANCE SHEET ACCOUNTS

\* \* \* \* \*

5-2 \* \* \*

(a) \* \* \*

(2) Account 702, *Temporary cash investments*, account 721, *Investments and advances; affiliated companies*, and account 722, *Other investments and advances*, shall be maintained in such a manner as to reflect the marketable equity portion (see definition 26) and other securities or investments.

(3) For the purpose of determining net ledger value, the marketable equity securities in account 702 shall be considered the current portfolio and the marketable equity securities in accounts 721 and 722 (combined) shall be considered the noncurrent portfolio.

(4) Carriers will categorize their security investments as held-to-maturity, trading, or available-for-sale. Unrealized holding gains and losses on trading type investment securities will be recorded in account 551, *Miscellaneous income charges*. Unrealized holding gains and losses on available-for-sale type investment securities will be recorded in account 799.1, *Other comprehensive income*.

\* \* \* \* \*

6. Amend Income Accounts – Ordinary Items by adding a sentence at the end of the list of inclusions for account 551 "Miscellaneous income charges," paragraph (a) to read as follows:

## INCOME ACCOUNTS

### Ordinary Items

\* \* \* \* \*

#### **551 Miscellaneous income charges.**

(a) \* \* \*

Unrealized holding gains and losses on trading type investment securities.

\* \* \* \* \*

#### 7. Amend General Balance Sheet Accounts Explanations – Assets, Current Assets by:

a. Adding a sentence to the end of the first paragraph in account 702 "Temporary cash investment";

b. Adding accounts 713.5 "Derivative instrument assets" and 713.6 "Derivative instrument assets–hedges."

The additions read as follows:

## GENERAL BALANCE SHEET ACCOUNTS EXPLANATIONS

### Assets

#### CURRENT ASSETS

\* \* \* \* \*

#### **702 Temporary cash investments.**

\* \* \* This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments.

\* \* \* \* \*



**713.5 Derivative instrument assets.**

This account shall include the amounts paid for derivative instruments, and the change in the fair value of all derivative instrument assets not designated as cash-flow or fair-value hedges. Account 551, *Miscellaneous income charges*, will be charged with the corresponding amount of the change in the fair value of the derivative instrument.

**713.6 Derivative instrument assets—hedges.**

(a) This account shall include the amounts paid for derivative instruments, and the change in the fair value of derivative instrument assets designated by the carrier as cash-flow or fair-value hedges.

(b) When a carrier designates a derivative instrument asset as a cash-flow hedge, it will record the change in the fair value of the derivative instrument in this account with a concurrent charge to account 799.1, *Other comprehensive income*, with the effective portion of the derivative's gain or loss. The ineffective portion of the cash-flow hedge will be charged to the same income or expense account that would have been used if the hedged item had been disposed of or otherwise settled.

(c) When a carrier designates a derivative instrument as a fair-value hedge, it will record the change in the fair value of the derivative instrument in this account with a concurrent charge to a sub-account of the asset or liability that carries the item being hedged. The ineffective portion of the fair-value hedge will be charged to the same income or expense account that would have been used if the hedged item had been disposed of or otherwise settled.

\* \* \* \* \*

8. Amend General Balance Sheet Accounts Explanations – Assets, Special Funds by:

a. In account 715 "Sinking funds," adding two sentences to the end of paragraph (b);

- b. In account 716 "Capital funds," adding a sentence to the end of paragraph (a); and
- c. In account 717 "Other funds," adding Note E.

The additions read as follows:

## GENERAL BALANCE SHEET ACCOUNTS EXPLANATIONS

### **Assets**

#### **SPECIAL FUNDS**

#### **715 Sinking funds.**

\* \* \* \* \*

(b) \* \* \* This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments. The cash value of life insurance policies on the lives of employees and officers to the extent that the carrier is the beneficiary of such policies shall also be included in this account.

\* \* \* \* \*

#### **716 Capital funds.**

(a) \* \* \* This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments.

\* \* \* \* \*

#### **717 Other funds.**

\* \* \* \* \*

NOTE E: This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments.

9. Amend General Balance Sheet Accounts Explanations – Assets, Investments by:

a. In account 722 "Other investments and advances," adding two sentences to the end of paragraph (a); and

b. Removing account 724 "Allowance for net unrealized loss on noncurrent marketable equity securities—Cr."

The addition reads as follows:

## GENERAL BALANCE SHEET ACCOUNTS EXPLANATIONS

### Assets

#### INVESTMENTS

\* \* \* \* \*

#### **722 Other investments and advances.**

(a) \* \* \* This account shall also include unrealized holding gains and losses on trading and available-for-sale types of security investments. Include also the offsetting entry to the recording of amortization of discount or premium on interest bearing investments.

\* \* \* \* \*

10. Amend General Balance Sheet Accounts Explanations – Liabilities and Shareholders' Equity, Current Liabilities by adding accounts 763.5 "Derivative instrument liabilities" and 763.6 "Derivative instrument liabilities–hedges", to read as follows:

## GENERAL BALANCE SHEET ACCOUNTS EXPLANATIONS

### Liabilities and Shareholders' Equity

#### CURRENT LIABILITIES

\* \* \* \* \*

### **763.5 Derivative instrument liabilities.**

This account shall include the change in the fair value of all derivative instrument liabilities not designated as cash-flow or fair-value hedges. Account 551, *Miscellaneous income charges*, will be charged with the corresponding amount of the change in the fair value of the derivative instrument.

### **763.6 Derivative instrument liabilities–hedges.**

(a) This account shall include the change in the fair value of derivative instrument liabilities designated by the carrier as cash-flow or fair-value hedges.

(b) A carrier will record the change in the fair value of a derivative instrument liability related to a cash-flow hedge in this account, with a concurrent charge to account 799.1, *Other comprehensive income*, with the effective portion of the derivative instrument's gain or loss. The ineffective portion of the cash-flow hedge will be charged to the same income or expense account that would have been used if the hedged item had been disposed of or otherwise settled.

(c) A carrier will record the change in the fair value of a derivative instrument liability related to a fair-value hedge in this account, with a concurrent charge to a sub-account of the asset or liability that carries the item being hedged. The ineffective portion of the fair-value hedge will be charged to the same income or expense account that would have been used if the hedged item had been disposed of or otherwise settled.

\* \* \* \* \*

11. Amend General Balance Sheet Accounts Explanations – Liabilities and Shareholders' Equity, Shareholders' Equity by:

a. Removing account 798.1 "Net unrealized loss on noncurrent marketable securities";  
and

b. Adding account 799 "Accumulated Other Comprehensive Income."

The addition reads as follows:

GENERAL BALANCE SHEET ACCOUNTS EXPLANATIONS

**Liabilities and Shareholders' Equity**

SHAREHOLDERS' EQUITY

\* \* \* \* \*

**799 Accumulated Other Comprehensive Income.**

(a) This account shall include revenues, expenses, gains, and losses that are properly includable in Other Comprehensive Income during the period. Examples of items of Other Comprehensive Income include foreign currency items, minimum pension liability adjustments, unrealized gains and losses on certain investments in debt and equity securities, and cash-flow hedges. Records supporting the entries to this account shall be maintained so that the carrier can furnish the amount of Other Comprehensive Income for each item included in this account.

(b) This account shall also be debited or credited, as appropriate, with amounts of accumulated Other Comprehensive Income that have been included in the determination of net income during the period and in accumulated Other Comprehensive Income in prior periods. Separate records for each category of items will be maintained to identify the amount of the reclassification adjustments from accumulated Other Comprehensive Income to earnings made during the period.

12. Revise FORM OF GENERAL BALANCE SHEET STATEMENT to read as follows:

FORM OF GENERAL BALANCE SHEET STATEMENT

The classified form of general balance sheet statement is designed to show the financial condition of the accounting company at any specified date.

### ASSETS

Current assets:	
701.	Cash.
702.	Temporary cash investments.
703.	Special deposits.
704.	Loans and notes receivable.
705.	Accounts receivable; Interline and other balances.
706.	Accounts receivable; Customers.
707.	Accounts receivable; Other.
708.	Interest and dividends receivable.
708.5.	Receivables from affiliated companies.
709.	Accrued accounts receivable.
709.5.	Allowance for uncollectible accounts.
	Net receivables.
710.	Working funds.
711.	Prepayments.
712.	Material and supplies.
713.	Other current assets.
713.5	Derivative instrument assets
713.6	Derivative instrument assets-hedges
714.	Deferred income tax debits.
	Total current assets.
Special funds:	
715.	Sinking funds.
716.	Capital funds.
717.	Other funds.

	Total special funds.
Investments:	
721.	Investments and advances; affiliated companies.
	Undistributed earnings from certain investments in account 751.
721.5.	Adjustments; investments and advances—affiliated companies.
	Net—investments and advances—affiliated companies.
722.	Other investments and advances.
723.	Adjustments; Other investments and advances.
	Net—other investments and advances.
	Total investments.
Tangible property:	
731.	Road and equipment property.
735.	Accumulated depreciation; Road and equipment property.
736.	Accumulated amortization; Road and equipment property—Defense projects.
	Net road and equipment property.
732.	Improvements on leased property.
733.	Accumulated depreciation; Improvements on leased property.
734.	Accumulated amortization; Improvements on leased property—Defense projects.
	Net improvements on leased property.
	Total carrier property.
737.	Property used in other than carrier operations.
738.	Accumulated depreciation; Property used in other than carrier operations.
	Net—property used in other than carrier operations.
	Total tangible property.
Intangible property:	
739.	Organization expenses.
Other assets and deferred debits:	
741.	Other assets.
743.	Other deferred debits.
744.	Accumulated deferred income tax debits.

	Total other assets and deferred debits.
	Total assets.
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
751.	Loans and notes payable.
752.	Accounts payable; Interline and other balances.
753.	Audited accounts and wages payable.
754.	Accounts payable; Other.
755.	Interest payable.
756.	Dividends payable.
757.	Payables to affiliated companies.
759.	Accrued accounts payable.
760.	Federal income taxes accrued.
761.	State and other income taxes accrued.
761.5.	Other taxes accrued.
762.	Deferred income tax credits.
763.	Other current liabilities.
763.5	Derivative instrument liabilities
763.6	Derivative instrument liabilities-hedges
764.	Equipment obligations and other long-term debt due within one year.
	Total current liabilities.
Long-term debt due after one year: <sup>1</sup>	
765.	Funded debt unmatured.
766.	Equipment obligations.
766.5.	Capitalized lease obligations.
767.	Receivers' and trustees' securities.
768.	Debt in default.
769.	Accounts payable; Affiliated companies.
770.1	Unamortized debt discount.
770.2	Unamortized premium on debt.



	Total long-term debt due after one year.
Other long-term liabilities:	
771.	Accrued liability; Pension and welfare.
772.	Accrued liability; Leased property.
774.	Accrued liability; Casualty and other claims.
775.	Other accrued liabilities.
781.	Interest in default.
782.	Other liabilities.
	Total other long-term liabilities.
Deferred credits:	
783.	Deferred revenues—transfers from government authorities.
784.	Other deferred credits.
786.	Accumulated deferred income tax credits.
	Total deferred credits.
Shareholders' equity:	
Capital stock:	
791.	Capital stock.
792.	Liability for conversion of capital stock.
793.	Discount on capital stock.
	Total capital stock.
Additional capital:	
794.	Premiums and assessments on capital stock.
795.	Other capital.
	Total additional capital.
Retained earnings:	
797.	Retained earnings; Appropriated.
798.	Retained earnings; Unappropriated.
	Total retained earnings.
798.5	Treasury stock.
799.	Accumulated Other Comprehensive Income

	Total shareholders' equity.
	Total liabilities and shareholders' equity.

<sup>1</sup>To be divided as to “Total issued” and “Held by or for company.”

13. Amend Conversion Tables by revising GENERAL BALANCE SHEET ACCOUNTS CONVERSION TABLE to read as follows:

### CONVERSION TABLES

\* \* \* \* \*

#### GENERAL BALANCE SHEET ACCOUNTS CONVERSION TABLE

System of accounts eff. prior to April 2016		System of accounts eff. April 2016	
Account title	No.	No.	Account title
Cash	701	701	Cash.
Temporary cash investments	702	702	Temporary cash investments.
Special deposits	703	703	Special deposits.
Loans and notes receivable	704	704	Loans and notes receivable.
		708.5	Receivables from affiliated companies.
		709.5	Allowance for uncollectible accounts.
Traffic, car service and other balances—dr	705	705	Accounts receivable; interline and other balances.
		709.5	Allowances for uncollectible accounts.
		752	Accounts payable; interline and other balances.
Net balance receivable from agents and conductors	706	706	Accounts receivable; customers.
Miscellaneous accounts receivable	707	707	Accounts receivable; other.
		708.5	Receivables from affiliated companies.
		709.5	Allowance for uncollectible accounts.

Interest and dividends receivable	708	708	Interest and dividends receivable.
		708.5	Receivables from affiliated companies.
		709.5	Allowance for uncollectible accounts.
Accrued accounts receivable	709	709	Accrued accounts receivable.
Working fund advances	710	710	Working funds.
Prepayments	711	711	Prepayments.
Material and supplies	712	712	Material and supplies.
Other current assets	713	713	Other current assets.
		713.5	Derivative instrument assets
		713.6	Derivative instrument assets-hedges
Deferred income tax charges	714	714	Deferred income tax debits.
Sinking funds	715	715	Sinking funds.
Capital and other reserve funds	716	716	Capital funds.
Insurance and other funds	717	717	Other funds.
Investment in affiliated companies	721	721	Investments and advances; affiliated companies.
Other investments	722	722	Other investments and advances.
Reserve for adjustment of investment in securities—cr	723	721.5	Adjustments; investments and advances—affiliated companies.
		723	Adjustments; other investments and advances.
Road and equipment property	731	731	Road and equipment property.
Organization expenses	71	739	Organization expenses.
Improvements on leased property	732	732	Improvements on leased property.
Accrued depreciation; improvements on leased property	733	733	Accumulated depreciation; improvements on leased property.

Accrued depreciation; road and equipment	735	735	Accumulated depreciation; road and equipment property.
Amortization of defense projects; road and equipment	736	736	Accumulated amortization; road and equipment property—defense projects.
		734	Accumulated amortization; improvements on leased property—defense projects.
Miscellaneous physical property	737	737	Property used in other than carrier operations.
Accrued depreciation; miscellaneous physical property	738	738	Accumulated depreciation; property used in other than carrier operations.
Other assets	741	741	Other assets.
Unamortized discount on long-term debt	770.1	770.1	Unamortized debt discount.
Other deferred charges	743	743	Other deferred debits.
Accumulated deferred income tax charges	744	744	Accumulated deferred income tax debits.
Liabilities			
Loans and notes payable	751	751	Loans and notes payable.
		757	Payables to affiliated companies.
Traffic, car service and other balances—cr	752	752	Accounts payable; interline and other balances.
		705	Accounts receivable; interline and other balances.
		709.5	Allowance for uncollectible accounts.
Audited accounts and wages payable	753	753	Audited accounts and wages payable.
Miscellaneous accounts payable	754	754	Accounts payable; other.
		757	Payables to affiliated companies.
Interest matured unpaid	755	755	Interest payable.
		757	Payables to affiliated companies.
Dividends matured unpaid	756	756	Dividends payable.
		757	Payables to affiliated companies.

Unmatured interest accrued	757	755	Interest payable.
		757	Payables to affiliated companies.
Unmatured dividends declared	758	756	Dividends payable.
		757	Payables to affiliated companies.
Accrued accounts payable	759	759	Accrued accounts payable.
Federal income taxes accrued	760	760	Federal income taxes accrued.
Other taxes accrued	761	711	Prepayments.
		761	State and other income taxes accrued.
		761.5	Other taxes accrued.
Deferred income tax credits	762	762	Deferred income tax credits.
Other current liabilities	763	763	Other current liabilities.
		763.5	Derivative instrument liabilities
		763.6	Derivative instrument liabilities-hedges
Equipment obligations and other debt due within one year	764	764	Equipment obligations and other long-term debt due within 1 year.
Funded debt unmatured	765	765	Funded debt unmatured.
Equipment obligations	766	766	Equipment obligations.
Capitalized lease obligations	766.5	766.5	Capitalized lease obligations.
Receivers' and trustees' securities	767	767	Receivers' and trustees' securities.
Debt in default	768	768	Debt in default.
Amounts payable to affiliated companies	769	769	Accounts payable; affiliated companies.
Pension and welfare reserves	771	771	Accrued liability; pension and welfare.
Casualty and other reserves	774	774	Accrued liability; casualty and other claims.
		775	Other accrued liabilities.

Interest in default	781	781	Interest in default.
Other liabilities	782	782	Other liabilities.
Deferred revenues-transfers from government authorities	783	783	Deferred revenues-transfers from government authorities
Unamortized premium on long-term debt	790.2	770.2	Unamortized premium on debt.
Other deferred credits	784	784	Other deferred credits.
Accrued liability; leased property	785	772	Accrued liability; leased property.
Accumulated deferred income tax credits	786	786	Accumulated deferred income tax credits.
Shareholders' Equity			
Capital stock issued	791	791	Capital stock.
Stock liability for conversion	792	792	Liability for conversion of capital stock.
Discount on capital stock	793	793	Discount on capital stock.
Premiums and assessment on capital stock	794	794	Premiums and assessments on capital stock.
Paid-in surplus	795	795	Other capital.
Other capital surplus	796	795	Do.
Retained income; appropriated	797	797	Retained earnings; appropriated.
Retained income; unappropriated	798	798	Retained earnings; unappropriated.
Treasury stock	798.5	798.5	Treasury stock.
		799	Accumulated Other Comprehensive Income

## APPENDIX A

Road						
Initials:		Year:				5
200. COMPARATIVE STATEMENT OF FINANCIAL POSITION – ASSETS						
(Dollars in Thousands)						
Line No.	Cross Check	Account	Title	Balance at close of year	Balance at begin- ing of year	Line No.

			(a)	(b)	(c)	
			Current Assets			
1		701	Cash			1
2		702	Temporary cash investments			2
3		703	Special deposits			3
			Accounts receivable			
4		704	- Loan and notes			4
5		705	- Interline and other balances			5
6		706	- Customers			6
7		707	- Other			7
8		709, 708	- Accrued accounts receivables			8
9		708.5	- Receivables from affiliated companies			9
10		709.5	- Less: Allowance for uncollectible accounts			10
11		710, 711, 714	Working funds prepayments deferred income tax debits			11
12		712	Materials and supplies			12
13		713, 713.5, 713.6	Other current assets			13
14			TOTAL CURRENT ASSETS			14
			Other Assets			
15		715, 716, 717	Special funds			15
16		721, 721.5	Investments and advances affiliated companies			16
			(Sch. 310 and 310A)			
17		722, 723	Other investments and advances			17
18		737, 738	Property used in other than carrier operation			18
			(Less depreciation) \$			
19		739, 741	Other assets			19
20		743	Other deferred debits			20
21		744	Accumulated deferred income tax debits			21
22			TOTAL OTHER ASSETS			22
			Road and Equipment			
23		731, 732	Road (Sch. 330) L-30 Col h & b			23
24		731, 732	Equipment (Sch 330) L-39 Col h & b			24
25		731, 732	Unallocated items			25
26		733, 735	Accumulated depreciation and amortization (Sch. 335, 342)			26
27			Net Road and Equipment			27
28	*		Total Assets			28
NOTES AND REMARKS						
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6				Road Initials:		Year:	
200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - LIABILITIES AND SHAREHOLDERS' EQUITY (Dollars in Thousands)							
Line No.	Cross Check	Account	Title (a)	Balance at close of year (b)	Balance at beginning of year (c)	Line No.	
			Current Liabilities				
30		751	Loans and notes payable			30	
31		752	Accounts payable: interline and other balances			31	
32		753	Audited accounts and wages			32	
33		754	Other accounts payable			33	
34		755, 756	Interest and dividends payable			34	
35		757	Payables to affiliated companies			35	
36		759	Accrued accounts payable			36	
37		760, 761, 761.5 762	Taxes accrued			37	
38		763, 763.5, 763.6	Other current liabilities			38	
39		764	Equipment obligations and other long-term debt due within one year			39	
40			TOTAL CURRENT LIABILITIES			40	
			Non-Current Liabilities				
41		765, 767	Funded debt unmaturred			41	
42		766	Equipment obligations			42	
43		766.5	Capitalized lease obligations			43	
44		768	Debt in default			44	
45		769	Accounts payable: affiliated companies			45	
46		770.1, 770.2	Unamortized debt premium			46	
47		781	Interest in default			47	
48		783	Deferred revenues - transfers from govt. authorities			48	
49		786	Accumulated deferred income tax credits			49	
50		771, 772, 774, 775, 782, 784	Other long-term liabilities and deferred credits			50	
51			TOTAL NON-CURRENT LIABILITIES			51	
			Shareholders' Equity				
52		791, 792	Total capital stock			52	
53			Common stock			53	
54			Preferred stock			54	
55			Discount on capital stock			55	
56		794, 795	Additional capital			56	
57		797	Retained earnings: Appropriated			57	
58		798	Unappropriated			58	
59		798.5	Less treasury stock			59	
60		799	Accumulated Other Comprehensive Income or (loss)			60	
61			Total stockholders equity			61	
62			Non-controlling interest			62	
63			Total equity (Lines 61 + 62)			63	
64			Total Liabilities & Shareholders' Equity			64	



## NOTES AND REMARKS

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**Road Initials:** \_\_\_\_\_ **Year:** \_\_\_\_\_ **7**

**200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES  
(Dollars in Thousands)**

The notes listed below are provided to disclose supplementary information on matters which have an important effect on the financial condition of the carrier. The carrier shall give the particulars called for herein and where there is nothing to report, insert the word "none"; and in addition thereto shall enter in separate notes with suitable particulars other matters involving material amounts of the character commonly disclosed in financial statements under generally accepted accounting principles, except as shown in other schedules. This includes statements explaining (1) service interruption insurance policies and indicating the amount of indemnity to which respondent will be entitled for work stoppage losses and the maximum amount of additional premium respondent may be obligated to pay in the event such losses are sustained by other railroads; (2) particulars concerning obligations for stock purchase options granted to officers and employees; and (3) what entries have been made for net income or retained income restricted under provisions of mortgages and other arrangements.

1. Amount (estimated, if necessary) of net income or retained income which has to be provided for capital expenditures, and for sinking funds, pursuant to provisions of reorganization plans, mortgages, deeds of trust, or other contracts. \_\_\_\_\_ \$ \_\_\_\_\_

2. Estimated amount of future earnings which can be realized before paying Federal income taxes because of unused and available net operating loss carryover on January 1 of the year following that for which the report is made. \_\_\_\_\_ \$ \_\_\_\_\_

3. (a) Explain the procedure in accounting for pension funds and recording in the accounts the current and past service pension costs, indicating whether or not consistent with the prior year. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) State amount, if any, representing the excess of the actuarially computed value of vested benefits over the total of the pension fund. \_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_

(c) Is any part of the pension plan funded? Specify. Yes \_\_\_\_ No \_\_\_\_

If funding is by insurance, give name of insuring company \_\_\_\_\_

If funding is by trust agreement, list trustee(s) \_\_\_\_\_

Date of trust agreement or latest amendment \_\_\_\_\_

If respondent is affiliated in any way with the trustee(s), explain affiliation. \_\_\_\_\_  
\_\_\_\_\_

(d) List affiliated companies which are included in the pension plan funding agreement and describe basis for allocating charges under the agreement. \_\_\_\_\_  
\_\_\_\_\_

(e) Is any part of the pension plan fund invested in stock or other securities of the respondent or its affiliates? Specify Yes \_\_\_\_ No \_\_\_\_

If yes, give number of the shares for each class of stock or other security. \_\_\_\_\_

Are voting rights attached to any securities held by the pension plan? Specify Yes \_\_\_ No \_\_\_ If yes, who determines how stock is voted?

—

4. State whether a segregated political fund has been established as provided by the Federal Election Campaign Act of 1971 (18 U.S.C. 610).

Yes \_\_\_ No \_\_\_

5. (a) The amount of employer's contribution to employee stock ownership plans for the current year was \$\_\_\_\_\_

(b) The amount of investment tax credit used to reduce current income tax expense resulting from contributions to qualified employee stock ownership plans for the current year was \$\_\_\_\_\_

6. In reference to Docket 37465, specify the total amount of business entertainment expenditures charged to the non-operating expense account. \$\_\_\_\_\_

Continued on following page

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8	Road Initials:	Year:																												
<b>200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES – Continued</b>																														
<p>7. Give particulars with respect to contingent assets and liabilities at the close of the year, in accordance with instruction 5-6 in the Uniform System of Accounts for Railroad Companies, that are not reflected in the amounts of the respondent.</p> <p>Disclose the nature and amount of contingency that is material.</p> <p>Examples of contingent liabilities are items which may become obligations as a result of pending or threatened litigation, assessments or possible assessments of additional taxes, and agreements or obligations to repurchase securities or property. Additional pages may be added if more space is needed. (Explain and/or reference to the following pages.)</p> <p>(a) Changes in valuation accounts.</p>																														
8. Marketable equity securities.																														
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%;"></th> <th style="width: 20%; text-align: center;">Cost</th> <th style="width: 10%; text-align: center;">Market</th> <th style="width: 15%; text-align: center;">Dr. (Cr.) to Income</th> <th style="width: 25%; text-align: center;">Dr. (Cr.) to Stockholder's Equity</th> </tr> </thead> <tbody> <tr> <td rowspan="2" style="text-align: center;">(Current Yr.) as of    /    /</td> <td style="text-align: center;">Current Portfolio</td> <td></td> <td></td> <td></td> <td style="text-align: center;">N/A</td> </tr> <tr> <td style="text-align: center;">Noncurrent Portfolio</td> <td></td> <td></td> <td style="text-align: center;">N/A</td> <td></td> </tr> <tr> <td rowspan="2" style="text-align: center;">(Previous Yr.) as of    /    /</td> <td style="text-align: center;">Current Portfolio</td> <td></td> <td></td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> <tr> <td style="text-align: center;">Noncurrent Portfolio</td> <td></td> <td></td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> </tbody> </table>			Cost	Market	Dr. (Cr.) to Income	Dr. (Cr.) to Stockholder's Equity	(Current Yr.) as of    /    /	Current Portfolio				N/A	Noncurrent Portfolio			N/A		(Previous Yr.) as of    /    /	Current Portfolio			N/A	N/A	Noncurrent Portfolio			N/A	N/A
		Cost	Market	Dr. (Cr.) to Income	Dr. (Cr.) to Stockholder's Equity																									
(Current Yr.) as of    /    /	Current Portfolio				N/A																									
	Noncurrent Portfolio			N/A																										
(Previous Yr.) as of    /    /	Current Portfolio			N/A	N/A																									
	Noncurrent Portfolio			N/A	N/A																									
<p>At    /    / , gross unrealized gains and losses pertaining to marketable equity securities were as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Gains</th> <th style="width: 20%; text-align: center;">Losses</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Current</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">Noncurrent</td> <td></td> <td></td> </tr> </tbody> </table>				Gains	Losses	Current			Noncurrent																					
	Gains	Losses																												
Current																														
Noncurrent																														

A net unrealized gain (loss) of \$\_\_\_\_\_ on the sale of marketable securities was included in net income for \_\_\_\_\_ (year)

The cost of securities was based on the \_\_\_\_\_ (method) cost of all the shares of each security held at time of sale.

Significant net realized and net unrealized gains and losses arising after date of the financial statements but prior to the filing, applicable to marketable equity securities owned at balance sheet date shall be disclosed below:

NOTE:     /     /     (date) Balance sheet date of reported year unless specified as previous year.

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Road Initials:	Year:	9
200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES - Continued		
NOTES TO FINANCIAL STATEMENTS		

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Road  
Initials: Year:

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES - Continued

NOTES TO FINANCIAL STATEMENTS

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Road Initials:	Year:	11
200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES - Continued		
NOTES TO FINANCIAL STATEMENTS		

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200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES - Continued

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200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES - Continued

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## 200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - EXPLANATORY NOTES - Continued

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<b>210. RESULTS OF OPERATIONS</b> (Dollars in Thousands)							
1. Disclose requested information for respondent pertaining to results of operations for the year.		Schedule 210 Line 15, col b		Cross-Checks Schedule 210 = Line 65, col b			
2. Report total operating expenses from Sched. 410. Any differences between this schedule and Sched. 410 must be explained on page 1.		Lines 47,48,49 col b Line 50, col b		= Line 66, col b = Line 67, col b			
3. List dividends from investments accounted for under the cost method on line 19, and list dividends accounted for under the equity method on line 25.		Line 14, col b Line 14, col d Line 14, col e		Schedule 410 = Line 620, col h = Line 620, col f = Line 620, col g			
4. All contra entries should be shown in parenthesis.							
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Freight-related revenue & Expense (d)	Passenger-related revenue & expenses (e)	Line No.
		ORDINARY ITEMS					
		OPERATING INCOME					
		Railway Operating Income					
1		(101) Freight					1
2		(102) Passenger					2
3		(103) Passenger-related					3
4		(104) Switching					4
5		(105) Water transfers					5
6		(106) Demurrage					6
7		(110) Incidental					7
8		(121) Joint facility – credit					8
9		(122) Joint facility – debit					9
10		(501) Railway operating revenues (Exclusive of transfers from government authorities-lines 1-9)					10
11		(502) Railway operating revenues - transfers from government authorities					11
12		(503) Railway operating revenues - amortization of deferred transfers from government authorities					12

13		TOTAL RAILWAY OPERATING REVENUES (lines 10-12)					13
14	*	(531) Railway operating expenses					14
15	*	Net revenue from railway operations					15
16		OTHER INCOME (506) Revenue from property used in other than carrier operations					16
17		(510) Miscellaneous rent income					17
18		(512) Separately operated properties - profit					18
19		(513) Dividend income (cost method)					19
20		(514) Interest income					20
21		(516) Income from sinking and other funds					21
22		(517) Release of premiums on funded debt					22
23		(518) Reimbursements received under contracts and agreements					23
24		(519) Miscellaneous income					24
25		Income from affiliated companies: 519 a. Dividends (equity method)					25
26		b. Equity in undistributed earnings (losses)					26
27		TOTAL OTHER INCOME (lines 16-26)					27
28		TOTAL INCOME (lines 15, 27)					28
29		MISCELLANEOUS DEDUCTIONS FROM INCOME (534) Expenses of property used in other than carrier operations					29
30		(544) Miscellaneous taxes					30
31		(545) Separately operated properties-Loss					31
32		(549) Maintenance of investment organization					32
33		(550) Income transferred under contracts and agreements					33
34		(551) Miscellaneous income charges					34
35		(553) Uncollectible accounts					35
36		TOTAL MISCELLANEOUS DEDUCTIONS					36
37		Income available for fixed charges					37
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Road Initials:		Year:	17		
210. RESULTS OF OPERATIONS – Continued					
(Dollars in Thousands)					
Lin e  No.	Cross  Check	Item  (a)	Amount for current year  (b)	Amount for preceding year  (c)	Line  No.
		FIXED CHARGES			
		(546) Interest on funded debt:			
38		(a) Fixed interest not in default			38
39		(b) Interest in default			39
40		(547) Interest on unfunded debt			40
41		(548) Amortization of discount on funded debt			41
42		TOTAL FIXED CHARGES (lines 38 through 41)			42
43		Income after fixed charges (line 37 minus line 42)			43
		OTHER DEDUCTIONS			
		(546) Interest on funded debt:			
44		(c) Contingent interest			44
		UNUSUAL OR INFREQUENT ITEMS			
45		(555) Unusual or infrequent items (debit) credit			45

46		Income (Loss) from continuing operations (before inc. taxes)			46
		PROVISIONS FOR INCOME TAXES			
47	*	(556) Income taxes on ordinary income:			
48	*	(a) Federal income taxes			47
49	*	(b) State income taxes			48
50	*	(c) Other income taxes			49
51		(557) Provision for deferred taxes			50
52		TOTAL PROVISION FOR INCOME TAXES (lines 47 through 52)			51
53		Income from continuing operations (line 46 minus line 51)			52
		DISCONTINUED OPERATIONS			
54		(560) Income or loss from operations of discontinued segments (less applicable income			
55		taxes of \$ )			53
56		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes			
57		of \$ )			54
58		Income before extraordinary items (lines 52 through 54)			55
		EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES			
59		(570) Extraordinary items (Net)			56
60		(590) Income taxes on extraordinary items			57
61		(591) Provision for deferred taxes - Extraordinary items			58
62		TOTAL EXTRAORDINARY ITEMS (lines 56 through 58)			59
63		(592) Cumulative effect of changes in accounting principles (less applicable income			
64		taxes of \$ )			60
65	*	Net income (Loss) (lines 55 + 59 + 60)			61
66		Less: Net Income attributable to non-controlling interest			62
67		Net Income attributable to reporting railroad			63
68		Earnings Per Share, basic and diluted			64
		RECONCILIATION OF NET RAILWAY OPERATING INCOME (NROI)			
69	*	Net revenues from railway operations			65
70	*	(556) Income taxes on ordinary income (-)			66
71	*	(557) Provision for deferred income taxes (-)			67
72		Income from lease of road and equipment (-)			68
73		Rent for leased roads and equipment (+)			69
74		Net railway operating income (loss)			70
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18	Road Initials:	Year:
Notes and Remarks For Schedules 210 and 220		



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<b>19</b>	<b>Road Initials:</b>						<b>Year:</b>
<b>210 A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</b> (Dollars in Thousands)							
1. This schedule applies only to entities with items of Other Comprehensive Income (OCI)							
						Cross- Checks	
						Schedule 210 Line 61, col b	Schedule 210 A = Line 1, col b
2. Entities must present comprehensive income in two separate but consecutive financial statements.							
3. Entities must present reclassification adjustments and the effects of those adjustments on net income and OCI on the face of the financial statements.							
4. All contra entries should be shown in parenthesis.							
Line No.	Cross Check	Item  (a)	Amount for current year  (b)	Amount for preceding year  (c)	Freight- related revenue & expenses (d)	Passenger- related revenue & expenses (e)	Line No.
1		Net Income					1
2		Other Comprehensive Income, net of tax Foreign currency translation adjustments					2
3		Unrealized gains on securities: Unrealized holding gains arising during period					3
4		Less: reclassification adjustment for gains included in net income					4
5		Defined benefit pension plans: Prior service cost arising during period					5
6		Net loss arising during period					6
7		Less: amortization of prior service cost included in net periodic pension cost					7
8		Other Comprehensive Income (lines 62+63-64-65-66+67)					8
		Comprehensive Income (Line 61 + 68)					
9		Less: comprehensive income attributable to non-controlling interest					9
10		Comprehensive Income attributable to reporting railroad (line 69-70)					10
Notes:							
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